

Message Text

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15

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 USIA-06

PRS-01 /095 W

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P R 020730Z MAY 75

FM AMCONSUL ISTANBUL

TO SECSTATE WASHDC PRIORITY 6013

INFO AMEMBASSY LONDON

AMEMBASSY ANKARA PRIORITY

AMCONSUL ADANA

AMCONSUL IZMIR

C O N F I D E N T I A L ISTANBUL 1356

EO 11652: GDS

TAGS: BGEN, ENRG, TU

SUBJECT: MOBIL PROBLEM IN TURKEY

REF: (A) ISTANBUL1268; (B) ISTANBUL 0810

SUMMARY: MOBIL'S RECENT OFFER TO IMPORT CRUDE OIL AT \$10.50/BBL HAS BEEN REJECTED FOR TIME BENG, BUT MOBIL ENCOURAGED BY FORTHRIGHT AND FLEXIBLE ATTITUDE OF MINENERGY. IN ORDER TO PROTECT ITS INVESTMENT AND ALSO AS GOODWILL GESTURE MOBIL IS IMPORTING A TANKER OF CRUDE OIL SCHEDULED TO ARRIVE MAY 3. END SUMMMARY.

1. RESPONDING TO MOBIL OFFER IMPORT CRUDE OIL AT \$10.50 PB ON THREE MONTHS'S CREDIT TERMS, MINENERGY HAS INFORMED MOBIL BY LETTER THAT IT WILL AGREE TO APPROVE \$10.21 PB ON CASH TERMS, OR \$10.50 PB ON THREE MONTHS CREDIT. HOWEVER IF CREDIT TERMS USED, THE LIRA EQUIVALENT OF THE VALUE OF THE SHIPMENT MUST BE
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BLOCKED IN CENTRAL BANK AT TIME OF REQUEST FOR IMPORT LICENSE.

2. MOBIL REPS DEEPLYDISAPPINTED OVER THIS RESPONSE. THEY POINT OUT THAT OVER A THREE-MONTH PERIOD THESE BLOCKED FUNDS WOULD REACH A LEVEL OF APPROXIMATELY TL 600 MILLION (OVER \$40 MILLION) AND WOULD REMAIN AT THAT LEVEL. THIS CONSIDERED AN IMPOSSIBLE POSITION SINCE MOBIL TURKEY DOES NOT HAVE SUFFICIENT WORKING CAPITAL TO OPERATE UNDER THESE TERMS. EVEN IF IT DID, THEY NOTE THEY WOULD BE MOST RELUCTANT TO EXPOSE THEMSELVES SO HEAVILY IN LIGHT OF RECURRING RUMORS OF A POSSIBLE DEVALUATION (A 40 PERCENT DEVALUATION WOULD COST THEM ALMOSTT \$20 MILLION).

3. SEVERAL TURKISH NEWSPAPERS CARRIED STORIES MAY 1 THAT MINENERGY HAD APPROVED INCREASE TO \$10.50 PB, COMPARING ACTION UNFAVORABLE TO PREVIOUS GOVERNMENT'S RESISTANCE TO PRICE INCREASE. HOWEVER, TERMS OUTLINED IN MINISTRY'S LETTER TO MOBIL WERE NOT REVEALED BY MINISTER. MOBIL OFFICIALS CONSIDER IT POSSIBLE THAT MINISTER IS TESTING HOW MUCH LEEWAY HE MAY HAVE IN ESTABLISHEING NEW PRICE. IF POLITICAL PRESSURE TOO GREAT HE WILL BE ABLE FALL BACK TO TERMS CONTAINED IN RECENT LETTER.

4. MEANWHILE MOBIL TANKER HAS BEEN DISPATCHED FROM MERSIN TO LOAD CRUDE OIL AND IS EXPECTED TO REACH ATAS REFINERY ON MAY 3. MOBIL OFFICIAL NOTED THIS ACTION TAKEN TO AVOID TAKEOVER REFINERY UNDER SECTION 132 (THE 90-DAY DEADLINE EXPIRES ON MAY 6) AND AS GESTURE OF GOODWILL SINCE ACTIVE DISCUSSIONS STILL GOING ON. HE CONFIRMED THAT IF MOBIL AND THE GOVERNMENT COULD NOT COME TO AGREEMENT ON A PRICE, AND MOBIL AGAIN SUSPENDED OIL IMPORTS, MINISTRY WOULD NEED TO GIVE NEW 90-DAY NOTIFICATION PRIOR TO ANY TAKE-OVER OF REFINERY. HE NOTED, HOWEVER, THAT MOBIL WOULD DO ALL POSSIBLE TO AVOID THIS HAPPENING.

5. DESPITE DISAPPOINTMENT OVER REJECTION THEIR PROPOSAL, MOBIL REPS SAY THEY SOMEWHAT ENCOURAGED BY MORE FORTHRIGHT AND FLEXIBLE STANCE OF NEW MINENERGY AND HIS SENIOR STAFF.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, IMPORTS, PRICES, TRADE AGREEMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ISTANB01356
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750154-0479
From: ISTANBUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750587/aaaadbnw.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ISTANBUL1268, 75 ISTANBUL 0810
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 JUN 2003 by CunninFX>; APPROVED <04 NOV 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOBIL PROBLEM IN TURKEY
TAGS: BGEN, ENRG, TU, US, MOBIL OIL CO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006